

Message Text

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TAGS: ECON, YO

SUBJECT: RATIONALIZATION OF THE YUGOSLAV ECONOMY

REFERENCES: (A) BELGRADE 5035; (B) BELGRADE 2052

1. SUMMARY: DR. BERISLAV SEFER, VICE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL, EMPHASIZED THE IMPORTANCE OF NATION-WIDE COORDINATION IN ECONOMIC DEVELOPMENT IN AN INTERVIEW IN THE AUGUST 16 ISSUE OF EKONOMSKA POLITIKA. PARTICULARLY STRESSED WERE THE NEED TO COMPLETE ON SCHEDULE THE SERIES OF SOCIAL ACCORDS WHICH FORM THE BACKBONE OF THE NEW FIVE YEAR PLAN AND THE NEED FOR INDUSTRY TO BE DEVELOPED ON THE MOST EFFICIENT BASIS FROM A NATIONAL, NOT A REPUBLICAN, VIEWPOINT. END SUMMARY.

2. SEFER EMPHASIZED THROUGHOUT THE INTERVIEW THE IMPORTANCE OF DEVELOPING INDUSTRY IN THE MOST ECONOMICAL WAY FOR YUGOSLAVIA AS A WHOLE, NOT MERELY CONCENTRATING ON BUILDING INDUSTRIAL BASES IN THE REPUBLICS. CITING FRAGMENTATION AS THE MAIN PROBLEM, HE CALLED THE QUALITY OF ECONOMIC ACTIVITY IN THE PAST UNSATISFACTORY THE EXCESSIVE COSTS OF UNPRODUCTIVE INDUSTRY, ACCORDING TO SEFER, HAVE ACTED TO REDUCE THE ABILITY TO COMPETE ON FOREIGN MARKETS.

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HE ADDED THAT, QUOTE WE CAN INVEST EXCEPTIONAL EFFORTS IN

INDIVIDUAL ORGANIZATIONS OF ASSOCIATED LABOUR FOR ACHIEVING THE BEST POSSIBLE RESULTS. BUT, IF THE GENERAL DISTRIBUTION OF PRODUCTIVE FACTORS IS IRRATIONAL AND UNREALISTIC, PREVENTING A RATIONAL EXPLOITATION OF CAPACITIES, THEY ALL WILL HAVE ULTIMATELY TO PAY FOR THIS IN THE FORM OF LOWER EFFECTIVENESS. UNQUOTE.

3. REGARDING THE FIVE YEAR PLAN, SEFER STRESSED THE NEED FOR THOSE SOCIAL ACCORDS WHICH FORM THE BASIS OF THE 1976-1980 MEDIUM TERM PLAN TO BE FINISHED ON SCHEDULE BY THE END OF NOVEMBER. HE CALLED THIS TASK A MORE DIFFICULT JOB THAN WHAT HAS BEEN ACCOMPLISHED SO FAR. RETURNING TO THE THEME OF INDUSTRY RATIONALIZATION, HE SAID THAT QUOTE THIS FIVE-YEAR PLAN SHOULD CONTRIBUTE TO A MORE RATIONAL LOCATION OF THE PROCESSING SECTOR IN APPROPRIATE REGIONS. IT IS QUITE CERTAIN THAT CERTAIN PRODUCTION IN THE PROCESSING SECTOR SHOULD BE ABANDONED, AND SOME OTHERS FURTHER DEVELOPED. UNQUOTE.

4. SEFER FOCUSED ON THE PROCESSING SECTOR AS BEING ESPECIALLY IN NEED OF RATIONALIZATION. HE COMMENTED: QUOTE FOR EXAMPLE, WE HAVE NO UNEXPLOITED CAPACITIES IN THE POWER INDUSTRY, OR IN RAW MATERIAL BRANCHES. CONSEQUENTLY, THE PROCESSING SECTOR IS THAT WHICH RUINS OUR EFFECTIVENESS AND PRODUCTIVITY. UNQUOTE. HE THEN WENT ON TO SINGLE OUT THE UNDERDEVELOPED PROCESSING REPUBLICS AND KOSOVO AS BEING PARTICULARLY ANXIOUS TO DEVELOP PROCESSING INDUSTRIES AND REPEATED THAT IT SHOULD ONLY BE DONE ON A RATIONAL BASIS WITH THE AGREEMENT OF ALL.

5. A RELATED THEME PRESENT THROUGHOUT THE INTERVIEW WAS THE NEED FOR PLANNING, CONSULTATIONS, AND COORDINATION BEGINNING IN INDIVIDUAL COUNTRIES AND WORKING UP TO INCLUDE ALL LARGER BODIES. THIS CONCEPT, THE KEY THOUGHT BEHIND THE LAW ON ASSOCIATED LABOR (NOW IN DRAFT FORM) AND THE UNFINISHED SYSTEMS LAWS, WAS FIRST USED IN THE CURRENT FIVE YEAR PLAN AND SEFER STRESSED THAT IT WOULD BE FURTHER REFINED AND DEVELOPED IN ALL SUBSEQUENT PLANS. THE RATIONALIZATION AND COORDINATION WHICH HE CALLS FOR IS TO BE DONE IN THIS MANNER, NOT BY FEDERAL GOVERNMENT DIRECTIVE.

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6. COMMENT: SEFER'S INTERVIEW DELINEATES STILL FURTHER THE DIVIDING LINE BETWEEN TWO CONFLICTING THEMES IN THE YUGOSLAV ECONOMY - SELF-SUFFICIENCY OF THE REPUBLIC AND AUTONOMOUS PROVINCES AND EFFICIENCY IN YUGOSLAVIA AS A WHOLE. THE MESSAGE IS THAT SELF-SUFFICIENCY SHOULD STOP AT THE POINT WHERE ECONOMIES OF SCALE BEGIN.

7. THE FORCEFULNESS OF SEFER'S REMARKS AND THE FACT THAT THEY

WERE MADE AT ALL, INDICATE THAT THE KEY UNDERPINNINGS OF THE FIVE-YEAR PLAN--THE VARIOUS SOCIAL ACCORDS DEFINING INVESTMENTS AND PRODUCTION IN PRIORITY SECTORS - ARE STILL UNRESOLVED. IT IS A CLEAR MESSAGE TO THE UNDERDEVELOPED AREAS IN PARTICULAR TO TONE DOWN THEIR DEMANDS IN THE PROCESSING INDUSTRIES IN THE INTEREST OF OVERALL EFFICIENCY. IT ALSO STRONGLY EMPHASIZES TO THE REPUBLICS AND PROVINCES THE IMPORTANCE OF OBTAINING AGREEMENT ON THE SOCIAL ACCORDS IN THE SCHEDULED TIME PERIOD.

8. THE CALL FOR RATIONALIZATION OF UNPRODUCTIVE INDUSTRIES THROUGH THE SOCIAL AGREEMENT MECHANISM IS A MEASURE OF GOY UNWILLINGNESS TO LET THE MARKET ITSELF SORT OUT THE INEFFICIENT. IT DEMONSTRATES THE YUGOSLAV DILEMMA OF EMBRACING MARKET PRINCIPLES ONLY HALF-HEARTEDLY; I.E., ENCOURAGING COMPETITION WHILE SHIELDING THE POOR COMPETITOR FROM FAILURE.

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